

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Applicant:	Kevin Collins	Examiner:	Thu Thao Havan
Serial No.:	09/955,670	Group Art Unit:	3691
Filed:	September 18, 2001	Docket No.:	10006717-1
Title:	System and Method for Auditing Electronic Auctions		

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**APPEAL BRIEF UNDER 37 C.F.R. § 41.37**

Mail Stop Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

This Appeal Brief is filed in response to the Final Office Action mailed November 28, 2006 and Notice of Appeal filed on February 26, 2007.

**AUTHORIZATION TO DEBIT ACCOUNT**

It is believed that no extensions of time or fees are required, beyond those that may otherwise be provided for in documents accompanying this paper. However, in the event that additional extensions of time are necessary to allow consideration of this paper, such extensions are hereby petitioned under 37 C.F.R. § 1.136(a), and any fees required (including fees for net addition of claims) are hereby authorized to be charged to Hewlett-Packard Development Company's deposit account no. 08-2025.

### **I. REAL PARTY IN INTEREST**

The real party in interest is Hewlett-Packard Development Company, LP, a limited partnership established under the laws of the State of Texas and having a principal place of business at 20555 S.H. 249 Houston, TX 77070, U.S.A. (hereinafter "HPDC"). HPDC is a Texas limited partnership and is a wholly-owned affiliate of Hewlett-Packard Company, a Delaware Corporation, headquartered in Palo Alto, CA. The general or managing partner of HPDC is HPQ Holdings, LLC.

### **II. RELATED APPEALS AND INTERFERENCES**

There are no known related appeals or interferences known to appellant, the appellant's legal representative, or assignee that will directly affect or be directly affected by or have a bearing on the Appeal Board's decision in the pending appeal.

### **III. STATUS OF CLAIMS**

Claims 1 – 17 stand finally rejected. The rejection of claims 1 – 17 is appealed.

### **IV. STATUS OF AMENDMENTS**

No amendments were made after receipt of the Final Office Action. All amendments have been entered.

### **V. SUMMARY OF CLAIMED SUBJECT MATTER**

The following provides a concise explanation of the subject matter defined in each of the claims involved in the appeal, referring to the specification by page and line number and to the drawings by reference characters, as required by 37 C.F.R. § 41.37(c)(1)(v). Each element of the claims is identified by a corresponding reference to the specification and drawings where applicable. Note that the citation to passages in the specification and drawings for each claim element does not imply that the limitations from the specification and drawings should be read into the corresponding claim element or that these are the sole sources in the specification supporting the claim features.

As explained in the Summary of the Invention section, embodiments are directed to auditing an electronic auction on an auction site. One method audits an electronic

auction on an auction site that hosts an auction for a seller through an auction management module. The method includes allowing a plurality of actual bidders to place bids in the auction and generating a simulated bidder through an auction auditing module, wherein the simulated bidder places a bid in the auction. Next, the auction behavior is audited based on the bid placed by the simulated bidder. (See Summary paragraph [0012]).

Claim 1

A system for auditing an electronically based auction (Fig. 1, #38), which is located on an auction site (Fig. 1, #36), comprising:

(a) an auction management module (Fig. 1, #24), located on the auction site (Fig. 1, #36), wherein the auction management module manages the auction for a seller (paragraphs [0011], [0025 – 0027]); and

(b) an auction auditing module (Fig. 1, #20), in communication with the auction management module, to audit the auction taking place on the auction site (paragraphs [0011], [0025 – 0027]).

Claim 10

A system for auditing an electronically based auction (Fig. 1, #38), which is located on an auction site (Fig. 1, #36), comprising:

(a) an auction management module (Fig. 1, #24), located on the auction site (Fig. 1, #36), wherein the auction management module hosts the auction for a seller (paragraphs [0011], [0025 – 0027]);

(b) a plurality of actual bidder inputs, associated with the auction management module, to allow actual bidders to place bids in the auction on the auction site (paragraphs [0029], [0036 – 0037]);

(c) an auction auditing module (Fig. 1, #20), in communication with the auction management module, to audit an auction taking place on the auction site (paragraphs [0011], [0025 – 0027]); and

(d) simulated bidder data, controlled by the auction auditing module, to submit at least one bid to the auction (paragraphs [0011], [0028 – 0029]).

Claim 14

A method for auditing an electronically based auction, which is located on an auction site that manages an auction for a seller through an auction management module, comprising the steps of:

(a) allowing a plurality of actual bidders to place bids in the auction (paragraphs [0029], [0036 – 0037]);

(b) generating a simulated bidder through an auction auditing module (paragraph [0028]);

(c) receiving a bid from the simulated bidder in the auction (paragraph [0028]);  
and

(d) auditing the auction's behavior based on the bid placed by the simulated bidder (paragraphs [0012], [0029]).

**VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL**

Claims 10-13 and 14-17 are rejected under 35 USC § 112, second paragraph, as failing to particularly point out and claim the subject matter.

Claims 1-6, 8, 10-11, 13-17 are rejected under 35 USC § 103(a) as being unpatentable over USPN 6,012,045 (Barzilai) in view of USPN 6,692,082 (Hambrecht).

Claims 7 and 9 are rejected under 35 USC § 103(a) as being unpatentable over Barzilai in view of Hambrecht and US 2004/0143542 (Magill).

Claim 12 is rejected under 35 USC § 103(a) as being unpatentable over Barzilai in view of Hambrecht and eBay: "Shill Crazy all These Years" (eBay).

Claims 14-17 are rejected under 35 USC § 103(a) as being unpatentable over Barzilai in view of Hambrecht and Auditing, Second Edition.

## VII. ARGUMENT

The rejections of claims 1 – 17 are improper, and Applicant respectfully requests reversal of these rejections.

The claims do not stand or fall together. Instead, Applicant presents separate arguments for various the independent claims. Each of these arguments is separately argued below and presented with separate headings and sub-heading as required by 37 C.F.R. § 41.37(c)(1)(vii).

### **Claim Rejections: 35 USC § 112**

Claims 10-13 and 14-17 are rejected under 35 USC § 112, second paragraph, as failing to particularly point out and claim the subject matter. The Office Action argues that claims 10-13 are unclear for reciting “to allow bidders to place bids” and claims 14-17 are unclear for reciting “allowing a plurality of actual bidders to place bids.” Applicant respectfully traverses these rejections.

Section 112, second paragraph, requires that the claims particularly point out and distinctly claim the subject matter which an applicant regards as his invention. To satisfy this threshold, claim recitations must allow one skilled in the art to understand the bounds of the claim when read in light of the specification. *See Exxon Research and Engineering cov United States*, 60 U.S.P.Q. 2d 1272, 1276 (Fed. Cir. 2001). Thus, it is only if “a claim is **insolubly ambiguous**, and no narrowing construction can be properly adopted” can a claim be held as indefinite. *See id.* (Emphasis added). The Federal Circuit has made clear that “[i]f the meaning of a claim is discernable even though the task may be formidable and the conclusions may be one over which reasonable persons will disagree,” the claim will be viewed sufficiently clear to avoid indefiniteness. *See id.*

Clearly, the meaning of claims 10-13 and 14-17 is discernable. Claims 10-13 recite “to allow actual bidders to place bids in the auction on the auction site.” This recitation is clear and means what it says: Bidders are allowed to place bids in the auction on the auction site. Further, claims 14-17 recite “allowing a plurality of actual bidder to place bids on the auction.” This recitation is clear and means what it says: Plural actual bidders are allowed to place bids in the auction. Applicant’s specification provides

support for these recitations (example, please see paragraphs [0029 and 0036 – 0037] in Applicant's specification).

The law requires claim terms to be discernable. However, the court of Customs and Patent Appeals has expressly warned that "*breath is not to be equated with indefiniteness*, as we have said many times." See *In re Miller*, 169 U.S.P.Q. 597, 600 (C.C.P.A. 1971) (emphasis added).

Applicant respectfully submits that upon reading the specification one of ordinary skill in the art would not find difficulty in ascertaining the meaning of the phrase "to allow actual bidders to place bids in the auction on the auction site" or the phrase "allowing a plurality of actual bidder to place bids on the auction." The test for definiteness under 35 U.S.C. 112, second paragraph, is whether "those skilled in the art would understand what is claimed when the claim is read in light of the specification." *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1576, 1 USPQ2d 1081, 1088 (Fed. Cir. 1986); see MPEP § 2173.02

In view of the foregoing, Applicant respectfully requests withdrawal of the rejections under section 112, second paragraph.

#### **Claim Rejections: 35 USC § 103(a)**

Claims 1-6, 8, 10-11, 13-17 are rejected under 35 USC § 103(a) as being unpatentable over USPN 6,012,045 (Barzilai) in view of USPN 6,692,082 (Hambrecht). This rejection is traversed.

To establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art cited must teach or suggest all the claim limitations. See M.P.E.P. § 2143. For at least the following reasons, Applicant asserts that the rejection does not satisfy these criteria.

### **All Elements Not Taught or Suggested**

All of the elements of the claims are not taught or suggested in Barzilai in view of Hambrecht. In other words, evening assuming *arguendo* that Barzilai and Hambrecht are successfully combinable (which they are not), the alleged combination does not teach or suggest all the elements in the claims. Some examples for the independent claims are discussed below.

#### **Independent Claim 1 (Example 1)**

Independent claim 1 recites “an auction auditing module” that audits an auction. Nowhere does Barzilai in view of Hambrecht teach an auction auditing module.

Hambrecht teaches an electronic auction for pricing and allocating equity securities with an underwriting process (1:16-20). “One embodiment of the invention provides a system and method for determining the final offering price and allocations of stock in a company” (1: 30-32). After an auction closes, Hambrecht teaches that an accounting firm can review the transactions for the offered stock (see 3: 52-64). Nowhere does Hambrecht teach or even suggest an auction auditing **module**. An accounting firm is not an auditing module as this term is used in Applicant’s specification and known to one of ordinary skill in the art.

Applicant acknowledges that claims must be given their broadest interpretation during patent examination. However, this interpretation must be a “**reasonable interpretation consistent with the specification**” (see MPEP 2111; emphasis added). Applicant’s specification repeatedly uses the term “auction auditing module” in a manner consistent with the plain meaning of this term. As an example, please read the specification at paragraphs [0026 – 0027] stating that the auction auditing module is an electronic device, example residing in a server.

In short, Hambrecht fails to teach or suggest the claim element of an auction auditing module, but instead teaches that auditing occurs by humans at an accounting firm.

For at least these reasons, claim 1 and its dependent claims are allowable over Barzilai in view of Hambrecht.



### Independent Claim 1 (Example 2)

Independent claim 1 recites two different modules that are in communication with each other: “an auction module, in communication with the auction management module.” First, the Examiner **admits** that Barzilai “does not specifically disclose the concept of an audit of an auction” (see OA mailed 3-31-06 at p. 4). Applicant agrees with this admission. Hambrecht fails to cure such deficiencies.

As noted, Hambrecht teaches auctions for underwriting transactions. After an auction closes, an accounting firm (i.e., human beings) can review the transactions for the offered stock (see 3: 52-64). Nowhere does Hambrecht teach or even suggest that the accounting firm is somehow an electronic auditing module. In other words, the combination of Barzilai and Hambrecht fail to teach or even suggest two different modules that are in communication with each other: “an auction module, in communication with the auction management module.”

For at least these reasons, claim 1 and its dependent claims are allowable over Barzilai in view of Hambrecht.

### Independent Claim 1 (Example 3)

Independent claim 1 recites an auction auditing module that audits “an auction taking place on the auction site.” The Examiner **admits** that Barzilai “does not specifically disclose the concept of an audit of an auction” (see OA mailed 3-31-06 at p. 4). So, the issue is: Does Hambrecht teach or suggest an auction auditing module that audits an auction “taking place” at an auction site? Hambrecht does not.

As noted, Hambrecht teaches auctions for underwriting transactions. **After** an auction closes, an accounting firm can review the transactions for the offered stock (see Hambrecht at 3: 52-64). By contrast, claim 1 recites a module that audits an auction “taking place.” In Hambrecht, the auditors review financial transactions after the auction closes, not while the auction is “taking place.”

For at least these reasons, claim 1 and its dependent claims are allowable over Barzilai in view of Hambrecht.

Independent Claim 10 (Example 1)

Independent claim 10 recites “an auction auditing module” that audits an auction. As noted above in connection with claim 1, nowhere does Barzilai in view of Hambrecht teach an auction auditing module.

For at least these reasons, claim 10 and its dependent claims are allowable over Barzilai in view of Hambrecht.

Independent Claim 10 (Example 2)

Independent claim 10 recites two different modules that are in communication with each other: “an auction module, in communication with the auction management module.” As noted above in connection with claim 1, nowhere does Barzilai in view of Hambrecht teach or suggest these recitations.

For at least these reasons, claim 10 and its dependent claims are allowable over Barzilai in view of Hambrecht.

Independent Claim 10 (Example 3)

Independent claim 10 recites an auction auditing module that audits “an auction taking place on the auction site.” As noted above in connection with claim 1, nowhere does Barzilai in view of Hambrecht teach or suggest these recitations.

For at least these reasons, claim 10 and its dependent claims are allowable over Barzilai in view of Hambrecht.

Independent Claim 10 (Example 4)

Independent claim 10 recites an auction having both actual bidders inputs and simulated bidder data. In other words, the same electronically based auction receives bids from both actual bidders and simulated bidders. By contrast, Barzilai teaches that customers who do not register with the auction service are allowed to play an auction game and submit fictitious bids (see 2: 54-64). These fictitious bids are in a game that is separate from the actual bidders: “The computer based method electronically blocks customers from becoming bidders and posting bids until those customers have electronically preregistered” (2: 37-40).

For at least these reasons, claim 10 and its dependent claims are allowable over Barzilai in view of Hambrecht.

Independent Claim 14 (Example 1)

Independent claim 14 recites “generating a simulated bidder through an auction auditing module.” Barzilai teaches that customers who do not register with the auction service are allowed to play an auction game and submit fictitious bids (see 2: 54-64). Barzilai, however, never teaches or even suggest that these fictitious bids are “through an auction auditing module.” In fact, the Examiner **admits** that Barzilai “does not specifically disclose the concept of an audit of an auction” (see OA at p. 4). Hambrecht teaches that after an auction closes, an accounting firm can review the transactions for the offered stock (see 3: 52-64). Hambrecht, however, never teaches or even suggests that simulated bids are submitted “through” this accounting firm. Instead, Hambrecht teaches that information regarding underwriting is sent to the accountants after the auction closes. Further, Hambrecht never suggests that this information includes the fictitious bids of Barzilai.

For at least these reasons, claim 14 and its dependent claims are allowable over Barzilai in view of Hambrecht.

Independent Claim 14 (Example 2)

Independent claim 14 recites “auditing the auction's behavior based on the bid placed by the simulated bidder.” Barzilai teaches that customers who do not register with the auction service are allowed to play an auction game and submit fictitious bids (see 2: 54-64). Barzilai, however, never teaches or even suggest that these fictitious bids are somehow used to audit the auction's behavior. By contrast, Barzilai expressly states that the fictitious bids are provided so members or potential customers can learn the auction rules (see 19: 20-24).

For at least these reasons, claim 14 and its dependent claims are allowable over Barzilai in view of Hambrecht.

### **Response to Examiner's Arguments**

In the Final Office Action (OA mailed 11-28-06 at p. 2), the Examiner argues that Hambrecht teaches various modules citing column 22, lines 5-67. This section of Hambrecht teaches architecture of an electronic auction. Nowhere, however, does Hambrecht teach or suggest a module that audits the auction. There is a big difference between teaching an electronic architecture that provides an auction (Hambrecht) and teaching an electronic architecture that also audits the auction. The auction system architecture in Hambrecht does not perform this latter function. By contrast, Hambrecht teaches that an accounting firm (i.e., human beings) perform the auditing of the auction: "An Outside Auditor may be employed to review auction results" (Hambrecht at col. 10, lines 24-25).

Every word in a claim must be given weight during prosecution. By way of example, claim 1 recites an auction auditing module. As further recited in the claim, this auction auditing module audits the auction taking place on the auction site. Nowhere does Hambrecht teach or even suggest a module in his auction system architecture that "audits the auction taking place on the auction site." Again, audit results are sent to an accounting firm in Hambrecht.

Hambrecht fails to teach two separate modules: (1) an auction management module that manages the auction for the seller and (2) an auction auditing module that audits the auction taking place on the auction site. Hambrecht fails to teach or suggest the second module.

**No Suggestion/Motivation to Modify/Combine References**

For at least the following reasons, no suggestion or motivation exists to modify or combine Barzilai in view of Hambrecht.

First, the Examiner **admits** that Barzilai “does not specifically disclose the concept of an audit of an auction” (see OA mailed 3-31-06 at p. 4). Applicant agrees with this admission. To cure this deficiency, the Office Action cites several sections of Hambrecht. Applicant respectfully disagrees.

Hambrecht teaches an electronic auction for pricing and allocating equity securities with an underwriting process (1:16-20). “One embodiment of the invention provides a system and method for determining the final offering price and allocations of stock in a company” (1: 30-32). After an auction closes, Hambrecht teaches that an accounting firm can review the transactions for the offered stock.

Barzilai teaches an electronic auction for selling consumer goods. Barzilai repeatedly uses the example of selling a pair of Nike shoes. Barzilai would not want to send a transaction of a shoe sale to the accounting firm as taught in Hambrecht. Obviousness cannot be established by combining the teachings of the prior art to produce the claimed invention absent some teaching or suggestion supporting the combination. *ACS Hospital Systems, Inc. v. Montefiore Hospital*, 732 F.2d 1572, 1577, 221 U.S.P.Q. 929, 933 (Fed. Cir. 1984). Such teaching or suggestion does not exist.

Further, Applicant respectfully asserts that the Examiner is using knowledge of Applicant’s invention and then performing hindsight reconstruction to show the various claim elements. In other words, the Office Action is picking and choosing teachings from numerous isolated sections with no suggestion or motivation for such selective construction. On this subject, the case law is clear: One cannot use hindsight reconstruction to pick and choose among isolated disclosures in the prior art to deprecate the claimed invention. *In re Fine*, 837 F.2d 1071, 5 U.S.P.Q.2d 1596 (Fed. Cir. 1988). For at least these reasons, a *prima facie* case of obvious has not been established.

**Claim Rejections: 35 USC § 103(a)**

Claims 7 and 9 are rejected under 35 USC § 103(a) as being unpatentable over Barzilai in view of Hambrecht and US 2004/0143542 (Magill). Claim 12 is rejected under 35 USC § 103(a) as being unpatentable over Barzilai in view of Hambrecht and eBay. Claims 14-17 are rejected under 35 USC § 103(a) as being unpatentable over Barzilai in view of Hambrecht and Auditing Second Edition. Magill, eBay, and Auditing Second Edition fail to cure the deficiencies noted above with respect to Barzilai and Hambrecht. Thus, for at least the reasons given with respect to the respective independent claims, dependent claims 7-9, 12, and 14-17 are allowable.

### CONCLUSION

In view of the above, Applicant respectfully requests the Board of Appeals to reverse the Examiner's rejection of all pending claims.

Any inquiry regarding this Amendment and Response should be directed to Philip S. Lyren at Telephone No. 832-236-5529. In addition, all correspondence should continue to be directed to the following address:

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Respectfully submitted,

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### **VIII. Claims Appendix**

1. (original) A system for auditing an electronically based auction, which is located on an auction site, comprising:

(a) an auction management module, located on the auction site, wherein the auction management module manages the auction for a seller; and

(b) an auction auditing module, in communication with the auction management module, to audit the auction taking place on the auction site.

2. (original) A system as in claim 1, wherein the auction auditing module audits the auction to verify that the auction functions in a manner consistent with represented procedures of the auction site.

3. (original) A system as in claim 1, further comprising a data verification component to verify that data submitted to the auction is represented accurately in the auction.

4. (original) A system as in claim 1, further comprising a data verification component to verify that a correct winning bidder was selected.

5. (original) A system as in claim 4, further comprising simulated bidder data, wherein the simulated bidder data is removed in the background from the auction management module in the event that the simulated bidder data wins the auction and a next best bidder is selected and reported to a seller.

6. (original) A system as in claim 1, further comprising a plurality of actual bidder inputs, which enable submission of bids to the auction through the auction management module.

7. (original) A system as in claim 1, further comprising an audit server to host the auction auditing module, wherein the auction auditing module is in networked communication with the auction management module.



8. (original) A system as in claim 1, further comprising an auction server that hosts the auction management module.

9. (original) A system as in claim 8, wherein the auction auditing module is hosted on an auction server with the auction management module.

10. (original) A system for auditing an electronically based auction, which is located on an auction site, comprising:

- (a) an auction management module, located on the auction site, wherein the auction management module hosts the auction for a seller;

- (b) a plurality of actual bidder inputs, associated with the auction management module, to allow actual bidders to place bids in the auction on the auction site;

- (c) an auction auditing module, in communication with the auction management module, to audit an auction taking place on the auction site; and

- (d) simulated bidder data, controlled by the auction auditing module, to submit at least one bid to the auction.

11. (original) A system as in claim 10, further comprising a data verification component to verify that data submitted to the auction with the simulated bidder data is represented accurately and that a correct winning bidder is selected.

12. (original) A system as in claim 10 further comprising a shill detection module located in the auction audit module that detects the possibility that a seller is using a shill who is making bids in the auction.

13. (original) A system as in 10, wherein the simulated bidder data includes at least one bid to verify that bids are represented accurately in the auction management module.

14. (original) A method for auditing an electronically based auction, which is located on an auction site that manages an auction for a seller through an auction management module, comprising the steps of:

- (a) allowing a plurality of actual bidders to place bids in the auction;
- (b) generating a simulated bidder through an auction auditing module;
- (c) receiving a bid from the simulated bidder in the auction; and
- (d) auditing the auction's behavior based on the bid placed by the simulated bidder.

15. (original) A method as in claim 14, wherein the step of auditing the auction's behavior further comprises the step of determining if the auction is fair by verifying that the simulated bidder's bid is represented accurately by the auction management module.

16. (original) A method as in claim 14, wherein the step of auditing the auction's behavior further comprises the step of validating that a best bid was programmatically selected by the auction management module as a winner of the auction.

17. (original) A method as in claim 14, wherein the step of auditing the auction behavior further comprises the step of verifying the accuracy of all competing bids to determine whether or not a correct auction winner was selected.

18. (withdrawn) A method for auditing an electronically based auction, which is located on an auction site that manages an auction for a seller through an auction management module, wherein the audit is performed when the auction is active, comprising the steps of:

- (a) interrupting online operations of the auction and auction management module;
- (b) inhibiting any modifications to the auction and auction management module;
- (c) executing a simulated auction using simulated bidders and a simulated seller;
- (d) auditing the auction and auction management module based on the simulated auction;
- (e) returning the auction and auction management module to online operations.

19. (withdrawn) A method as in claim 18, wherein the step of auditing the auction and auction management module further comprises the step of verifying that a correct auction

winner was selected based on simulated bids made by the simulated bidders.

20. (withdrawn) A method as in claim 18, wherein the step of auditing the auction and auction management module further comprises the step of verifying output from the auction management module based on simulated bids made by the simulated bidders.

21. (withdrawn) A method as in claim 18, wherein the step of auditing the auction and auction management module further comprises the step of verifying displayed description output from the auction management module for an auction item submitted by the simulated seller.

**IX. EVIDENCE APPENDIX**

None.

**X. RELATED PROCEEDINGS APPENDIX**

None.